# Government National Mortgage Association

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# Annual Report 1984

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## The Association

The Government National Mortgage Association (GNMA) was created in 1968 through amendment of Title III of the National Housing Act. Under the provisions of the Housing and Urban Development Act of 1968, the Federal National Mortgage Association (FNMA), originally established in 1938, was rechartered as a private corporation to provide secondary market support for the private residential mortgage market; and GNMA was established as a Government corporation within the Department of Housing and Urban Development (HUD) to administer mortgage support programs which could not be carried out in the private market.

GNMA's primary ongoing activity is its Mortgage-Backed Securities (MBS) Program. The purpose of the program is to increase liquidity in the secondary mortgage market and to attract new sources of financing for residential loans. Through the MBS Program, GNMA guarantees to investors the timely payment of principal and interest on securities which are backed by pools of federally-underwritten mortgages and issued by private mortgage lending institutions. The U.S. Government's full faith and credit guaranty of securities makes them widely accepted in those sectors of the capital markets that otherwise would not be likely to supply funds to the mortgage market.

The "Tandem" Mortgage Purchase Program is in process of being phased out. Although the Tandem program has produced substantial numbers of new housing units, its high cost and the decision to refocus Federal rental assistance through implementation of the housing voucher program for use in existing housing, rather than stimulation of new construction, have led to the termination of the program.

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## President's Message

I am pleased to submit the Annual Report of the Government National Mortgage Association (GNMA) for the fiscal year ended September 30, 1984.

The Mortgage-Backed Securities Programs of the Association continued to break new ground during the year. The total of new securities issued was $32.1 billion, bringing the cumulative total over the life of the program to $215.6 billion. In addition to operating the GNMA I and GNMA II Programs, GNMA worked to meet major changes in the market place by devising a new securities program for pools of Adjustable Rate Mortgages. The first issuance of these securities is expected early in the 1985 fiscal year.

GNMA also expanded its initiative to obtain foreign funds for United States housing by achieving a listing of its securities on the Singapore Stock Exchange. This listing was accomplished personally by the Secretary of the Department of Housing and Urban Development, Samuel R. Pierce, Jr., on January 25, 1984. This listing has helped open the Far Eastern market as our earlier listing on the Luxembourg Stock Exchange opened up European accounts to our sellers.

In the course of fiscal year 1984, GNMA purchased $1.3 billion in project mortgages under the Tandem Mortgage Purchase Programs and sold $2.3 billion to private investors through regular bimonthly auctions. A number of innovations introduced in these auctions have resulted in substantial additional revenues.

On November 30, 1983, President Reagan signed into law the Housing and Urban-Rural Recovery Act of 1983, which repealed the authorization for new funding commitments under the Tandem programs, and transferred all the activities of the programs to GNMA's management and liquidating accounts effective with the beginning of the 1985 fiscal year. GNMA will continue, however, to purchase mortgages with outstanding Tandem commitments and to sell mortgages in our portfolio.

It is a pleasure to be able to express my appreciation to the officers of GNMA and all of our employees, for their contributions to the continued success of our programs during 1984.

Sincerely,

Robert W. Kaye

President

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# The Year-In-View

## Mortgage-Backed Securities Program

GNMA supports the government's housing objectives by establishing secondary market facilities for federally guaranteed residential mortgages, using private capital to the maximum extent feasible. Through its Mortgage-Backed Securities (MBS) Programs, GNMA serves to increase the overall supply of mortgage credit available by helping to channel funds from the securities markets into the mortgage market.

The first GNMA mortgage-backed securities were issued in 1970. The cumulative total of securities guaranteed by GNMA as of September 30, 1984 exceeded $215 billion, representing financing for approximately 5.3 million housing units.

### Program Structure

In the MBS Program, GNMA guarantees privately issued securities backed by pools of government-insured or guaranteed-mortgages. Holders of the securities (the investors) receive a "pass-through" of principal and interest payments due on the pool of mortgages, whether or not such payments are made by the mortgagors, less amounts to cover servicing costs and GNMA fees. The GNMA guaranty assures securities holders of receiving timely payment of scheduled monthly principal and interest as well as prepayments and early recoveries of principal on the underlying mortgages.

GNMA securities offer absolute safety of principal coupled with liquidity and high yield. The securities provide investors with a guaranteed monthly stream of income in the form of principal repayment plus interest.

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**Program Activity**

Fiscal Year 19184 resulted in over $32 billion of securities guaranteed under both the GNMA I and II programs. The following table sets forth a breakdown of GNMA I and II programs during FY 1984.

| Issued type | Total Securities Issued (000) | GNMA I Amount (000) | GNMA I % of Total Issued Type | GNMA II Amount (000) | GNMA II % to Total Issued Type |
|---|---|---|---|---|---|
| Single-family securities | $26,594,750 | $21,767,974 | 82 | $4,826,776 | 18 |
| Graduated payment securities | 3,574,400 | 2,786,607 | 78 | 787,793 | 22 |
| Buydown securities | 365,700 | 365,700 | 100 | * | * |
| Growing equity securities | 16,100 | 11,824 | 73 | 4,276 | 27 |
| Mobile home securities | 701,500 | 683,123 | 97 | 18,377 | 3 |
| Project Construction loan securities | 837,400 | 837,400 | 100 | * | * |
| **Total** | **$32,089,850** | **$26,452,628** | | **$5,637,222** | |

* Buydown and project construction loan securities can only be issued under the GNMA I program

The major investors in GNMA securities are financial intermediaries, such as pension and retirement funds and thrift institutions. At the end of FY 1984 pension and retirement funds held approximately 10.6 percent of all outstanding GNMA securities while thrift institutions and banks held approximately 29.5 percent.

The following table shows in more detail the percentages of (a) total securities issued and (b) GNMA securities issued which are held by each of the enumerated groups.

| Investor Group | Percent of Total Issues | Percent of GNMA II Issues |
|---|---|---|
| Nominees | 29.6 | 27.2 |
| Savings and Loan Associations | 20.1 | 3.8 |
| Securities Brokers Dealers | 10.0 | 23.2 |
| Pension Funds (estimated) | 10.6 | 11.4 |
| Savings Banks | 5.9 | 1.4 |
| Commercial Banks | 3.5 | 2.7 |
| Corporations and Partnerships | 3.3 | 1.1 |
| Credit Unions | 1.3 | * |
| Institutional Fiduciary | 3.2 | 20.8 |
| Individuals | 2.3 | 3 |
| Other | 10.2 | 8.1 |
| **Total** | **100.0** | **100.0** |

* Less than 1/10 of 1

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Reflecting an extremely active secondary market, $177.9 billion of securities were transferred among holders of record during the year. The number of active issuers at the end of the fiscal year was 766.

**International Activities**

On January 20, 1984, the Secretary of the Department of Housing and Urban Development effected the listing of $80 billion of five coupon rates of GNMA mortgage-backed securities on the Stock Exchange of Singapore. This followed the earlier listing of $58 billion of the same series rates on the Luxembourg Stock Exchange during 1983. In each instance, the purposes were similar – to make GNMA securities more accessible to international investors by making it legally possible for investors to buy them and to increase the level of knowledge of international investors about mortgage-backed securities.

**Program Improvements**

During FY 1984, GNMA introduced an adjustable rate mortgage-backed security program. The program was made possible by the enactment of the Housing and Urban Rural Recovery Act of 1983, which authorized the Federal Housing Administration (FHA) for the first time to insure adjustable rate mortgages (ARMs).

The GNMA adjustable rate securities (ARM securities) program provides a single, standardized, national program for securitizing ARMs. It is intended to be simple both for lenders to administer and for financial institutions to invest in. It has the potential for lowering borrowing costs for homebuyers, at the initial stage of the mortgage transaction, while affording them protection from volatile interest rate changes. It offers investors the attractions of an annually adjusted interest rate coupled with the safety and liquidity of a government guaranteed instrument.

ARM securities are issued under the GNMA II multiple issuer pool approach. By this approach individual firms originate mortgages to form loan packages, which in turn become part of large pools backing each individual issuance of securities. The individual issuer/servicer firms each month remit principal and interest payments to GNMA's central paying agent, which in turn pays the holders.

The securities are backed by FHA-insured ARMs, which mortgages also must satisfy certain GNMA eligibility requirements. By the end of the fiscal year, a total of $153.1 million in commitments had been issued by GNMA for ARM securities.

**Financial Condition of the MBS Program**

GNMA is required to produce consolidated statements of its financial condition for reporting purposes. However, each of GNMA's programs is independent and operates on separate authority granted to it through the National Housing Act. For those interested in the financial condition of the MBS Program, statements have been produced showing that program's financial status.

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Statement of Financial Condition of the GNMA Mortgage-Backed Securities Program for the Year Ended September 30, 1984

| | 1984 (unaudited) |
|---|---|
| | (in thousands) |
| **Assets** | |
| Cash | $300 |
| Accrued interest and other receivables | 38,700 |
| U.S. Government securities | 777,300 |
| Net investment in mortgages | 1,400 |
| Assets acquired through liquidations and claims against HUD/FHA and VA | |
| Equipment | 100 |
| **Total Assets** | **818,800** |
| **Liabilities** | |
| Accounts payable and accrued liabilities | 800 |
| Trust and deposit liabilities | 1,600 |
| Contingent liability and commitments | |
| **Total Liabilities** | **2,400** |
| *Investment in U.S. Government* | |
| Retained Earnings (Deficit) | 816,400 |
| **Total Liabilities and Investment in U.S. Government** | **818,800** |

Statement of Operations and Retained Earning of the GNMA Mortgage-Backed Securities Program for the Year Ended September 30, 1984

| | 1984 (unaudited) |
|---|---|
| | (in thousands) |
| **Revenue** | |
| Interest income | $ 76,300 |
| Mortgage-Backed Securities Program fees | 127,400 |
| Other income | 200 |
| **Total Revenue** | **$203,900** |
| **Expenses** | |
| Mortgage-Backed Securities Program expenses | $5,100 |
| Administrative and other expenses | 4,900 |
| **Total Expenses** | **$10,000** |
| Income (Loss) from operations | 193,900 |
| Retained Earnings (Deficit) at beginning of year | 622,500 |
| Prior year adjustment | |
| **Retained Earnings (Deficit) at end of year** | **816,400** |

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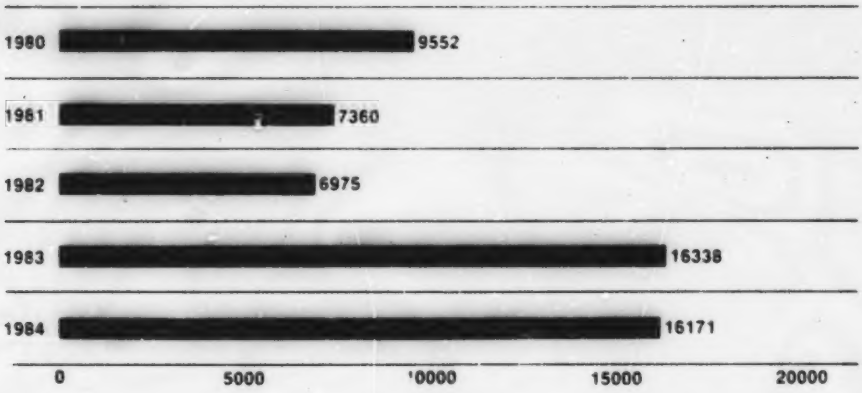
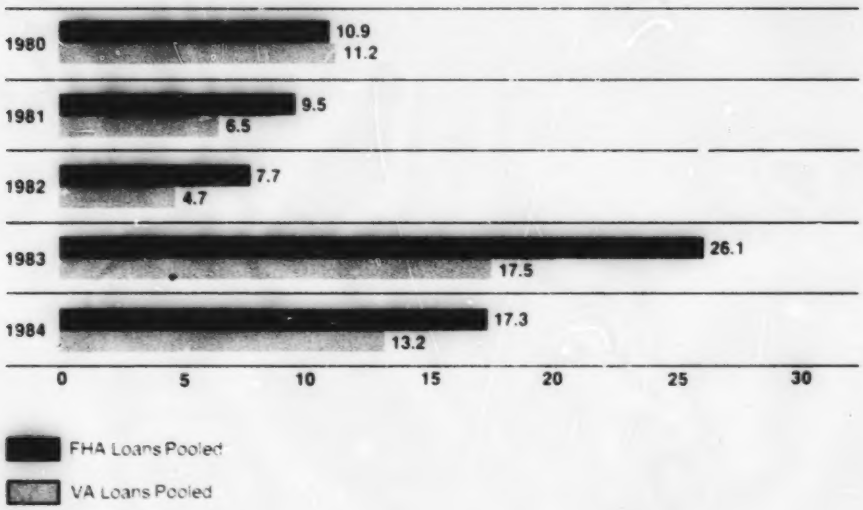
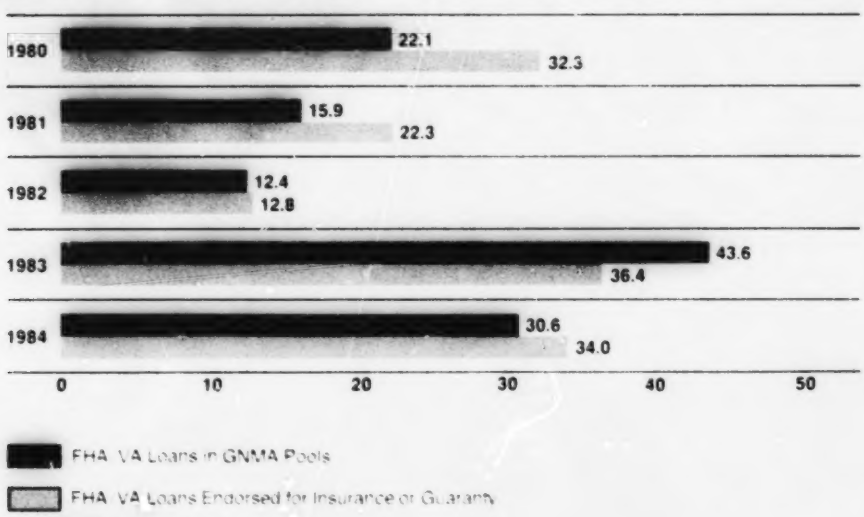
**Number of New GNMA Pools Issued**
**Fiscal Years 1980 - 1984**




**Amount of FHA and VA 1-4 Family Loans Pooled**
**Fiscal Year 1980 - 1984** (Dollars in Billions)




**Amount of Single Family FHA/VA Loans Placed in GNMA Pools**
**Fiscal Year 1980 - 1984** (Dollars in Billions)

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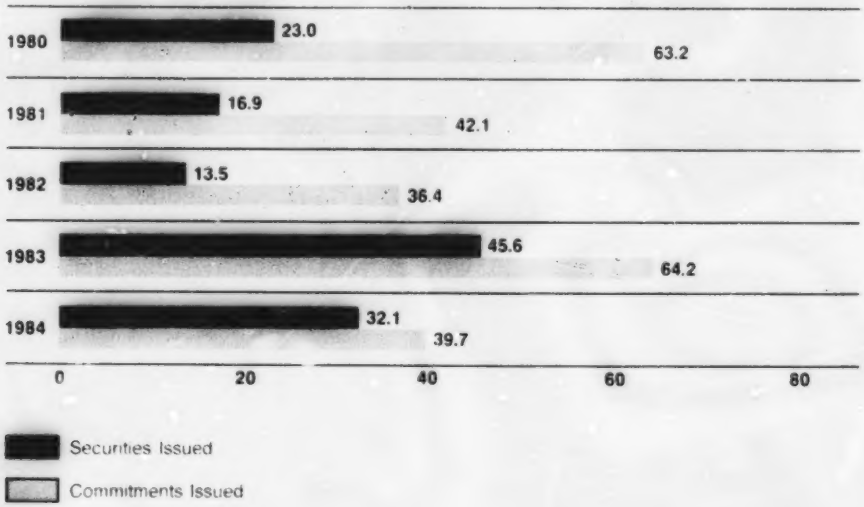
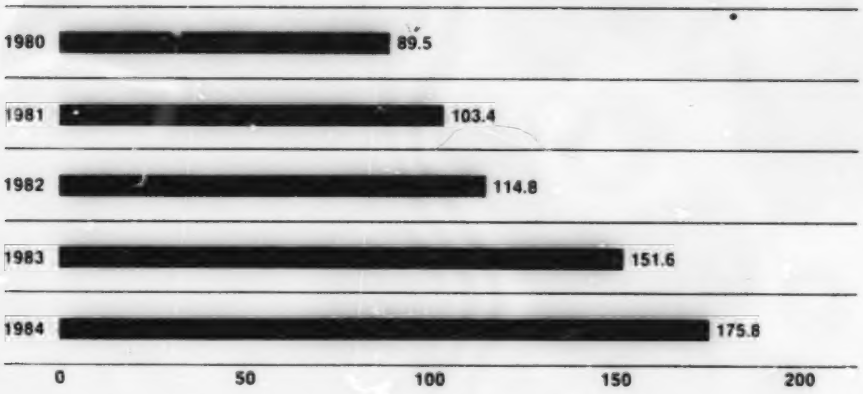
**MBS Commitments Issued and Securities Issued**
**Fiscal Year 1980 – 1984** (Dollars in Billions)




**GNMA Mortgage-Backed Securities Outstanding**
**Fiscal Year 1980 – 1984** (Dollars in Billions)

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## Mortgage Purchase "Tandem" Program

The GNMA Mortgage Purchase Programs were authorized as part of the Special Assistance Functions (SAF) of the Federal Government, which existed since 1954 as one of the types of secondary mortgage market operations formerly carried out by the Federal National Mortgage Association (FNMA). When GNMA was created in 1968, it was given authority to carry out the Special Assistance Functions. Under the Special Assistance Functions, GNMA agreed to purchase FHA-insured mortgages at below-market interest rates in order to stimulate the production of new housing.

The Housing and Urban-Rural Recovery Act of 1983 repealed GNMA's authority to issue commitments under the Special Assistance Function section of the National Housing Act. GNMA continues, however, to purchase mortgages with outstanding Tandem commitments.

GNMA's primary focus in the Tandem programs has shifted from the issuance of commitments and purchase of mortgages to the sale of mortgages held in its portfolio. GNMA sells these mortgages at public auction to the highest bidder. The prices GNMA receives for these mortgages generally are in the range of 60 to 70 percent of face value (for mortgages with a 7.5 percent interest rate) due to discounting by the market in order to achieve a competitive market yield. On the average, GNMA realizes a 35 percent loss on each loan bearing a 7.5 percent interest rate purchased and sold in the Tandem program.

### Program Activity

During FY 1984, GNMA purchased $1.268 billion in multifamily mortgages based on commitments made in prior years. As of September 30, 1984, GNMA's outstanding commitments under its Tandem programs totalled $1.41 billion.

A Mortgage Disposition Board, appointed by the Secretary of HUD and composed of three members, with the President of GNMA serving as Chairman, approves all sales. The other members of the Board are the HUD Assistant Secretaries for Housing and for Policy Development and Research.

During the fiscal year, GNMA conducted six bimonthly auctions of project mortgages. As a result of these auctions and other post auction sales, approximately $2.3 billion were sold resulting in net income to the government of $1.5 billion.

The bimonthly auctions are currently the only method by which GNMA sells its mortgages. Efforts were continued during FY 1984 to make the auctions a still more successful sales tool. GNMA expanded its use of a private appraisal company which inspected and reviewed a number of the projects for which the mortgages were offered for sale. The information obtained from the inspections was used to establish minimum auction sales prices that more accurately reflected the value of the individual mortgages.

### Improved Auction Procedures

Since 1981 GNMA has implemented innovative techniques to increase the net revenues to the Government in the auction of Tandem and other GNMA-owned mortgages. Market research and valuation of individual multifamily mortgages, advertising of pertinent project characteristics in trade publications, permitting the pooling of project mortgages for MBSs, and an extended post-auction procedure all contributed to increase the net revenues to the Government from mortgage sales.

The following table provides a summary of purchases and sales during FY 84:

| | Units | Amount |
|---|---|---|
| **Purchases:** | | |
| Program 25* | 22,581 | $1,017,733 |
| Program 27* | 7,443 | 250,753 |
| **Total** | **30,024** | **$1,268,486** |
| **Sales:** | | |
| Single-family | | |
| Multifamily | 90,534 | $2,267,645 |
| **Total** | **90,534** | **$2,267,645** |

* Program 25 Section 8 Tandem
* Program 27 Targeted Tandem (unsubsidized Multifamily in Distressed Cities)

Future Tandem Program activity will consist primarily of selling the portfolio of mortgages accumulated in the course of the programs. Purchasing will continue until all outstanding commitments have been satisfied.

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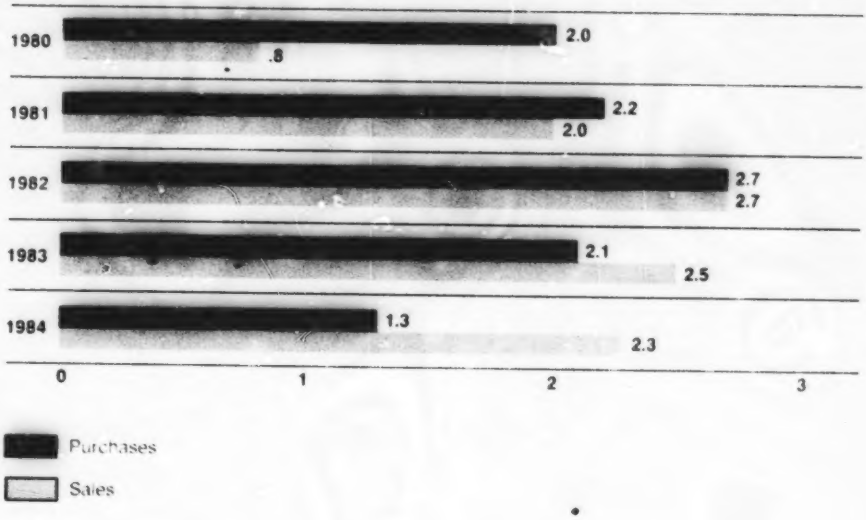
**Total Purchase and Sales of Mortgages**
**Fiscal Year 1980 - 1984** (Dollars in Billions)




**Management and Liquidation Function**

Under this program, GNMA manages a portfolio of mortgages formerly held by FNMA. No sales from the portfolio were held during FY 1984. However, principal reductions of $12.4 million were realized, resulting in a principal balance on September 30, 1984 of $79.9 million and a portfolio of 15,459 mortgages.

GNMA also had fiduciary responsibility for administration of participations in its own mortgages and in mortgages or obligations of certain other Federal agencies. As of September 30, 1984, there remained $2.165 billion in participation certificates outstanding — down from $9.6 billion which were originally issued.

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## Government National Mortgage Association

**Financial Highlights**
(dollars in thousands)

For the Year Ended September 30

| | 1984 | 1983 |
|---|---|---|
| **Special Assistance Functions and Emergency Mortgage Purchase Assistance (Consolidated)** | | |
| *Commitments issued:* | | |
| FHA/VA Tandem Plans | | $500,000 |
| *Mortgage purchased:* | | |
| FHA/VA Tandem plans | $1,268,486 | $2,069,434 |
| Mortgage Sales and Repayments | $2,339,161 | $2,671,898 |
| Mortgage Portfolio at End of Year | $2,303,712 | $3,375,291 |
| **Mortgage-Backed Securities Program** | | |
| Commitments issued: | $39,665,000 | $64,224,800 |
| *Guarantees issued:* | | |
| Pass-through | $32,089,850 | $45,624,100 |
| Bond-type | | |
| *Issues Outstanding:* | | |
| Pass-through | $175,770,342 | $151,596,573 |
| Bond-type | $714,060 | $742,128 |
| *Securities Issued by Pool Type:* | | |
| Single-Family Loans (level payment) | $26,594,800 | $38,394,100 |
| Graduated Payments Loans | 3,574,400 | 4,281,700 |
| Buydown Loans | 365,700 | 887,500 |
| Growing Equity Loans | 16,100 | 12,500 |
| Mobile Home Loans | 701,500 | 1,193,100 |
| Project and Construction Loans | 837,400 | 855,200 |
| **Total** | **$32,089,900** | **$45,624,100** |
| Number of Mortgage Pools Originated | 14,031 | 16,338 |
| Securities Transferred (Re-registered) in the Secondary Market | $177,942,000 | $164,736,000 |
| **Management and Liquidation Functions** | | |
| Sales, Repayment and other liquidations | $12,395 | $32,388 |
| Mortgage Portfolio at End of Year | 79,889 | 92,284 |
| **Participation Sale Certificates** | | |
| Retired | | |
| Outstanding at End of Year | $2,165,000 | $2,165,000 |



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## Government National Mortgage Association

**Statement of Financial Condition**
As of September 30, 1984 and 1983 (Note 1)

| | 1984 (unaudited) | 1983 |
|---|---|---|
| | (in thousands) | |
| **Assets:** | | |
| Cash | $200,800 | $12,000 |
| Accrued interest and other receivables (Note 2) | 57,700 | 54,900 |
| U.S. Government securities (Note 3) | 881,300 | 629,700 |
| Deposits held for interest payments on participation certificates | 66,200 | 55,300 |
| Net investment in mortgages (Note 4) | 2,283,300 | 3,287,000 |
| Assets acquired through liquidations and claims against HUD/FHA and VA | 700 | 4,700 |
| Equipment | 100 | |
| **Total Assets** | **$3,490,100** | **$4,043,600** |
| **Liabilities and Investment of U.S. Government** | | |
| *Liabilities:* | | |
| Accounts payable and accrued liabilities | $386,500 | $351,700 |
| Trust and deposit liabilities | 63,400 | 80,900 |
| Notes payable to U.S. Treasury (Note 5) | 12,284,400 | 11,081,700 |
| Contingencies and commitments (Note 6) | | |
| **Total Liabilities** | **$12,734,300** | **$11,514,300** |
| *Investment of U.S. Government:* | | |
| Retained earnings (Deficit) | (9,244,200) | (7,470,700) |
| **Total Liabilities and Investment of U.S. Government** | **$3,490,100** | **$4,043,600** |

The accompanying notes on pages 15 to 18 are an integral part of these financial statements.

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## Government National Mortgage Association

**Statement of Operations and Retained Earnings**
For the Years Ended September 30, 1984 and 1983 (Note 1)

| | 1984 (unaudited) | 1983 |
|---|---|---|
| | (in thousands) | |
| **Revenues:** | | |
| Interest income | $336,700 | $368,900 |
| Mortgage-Backed Securities Program fees (Note 7) | 127,400 | 106,700 |
| Commitment and other loan fees | 7,800 | 22,700 |
| Other income | 400 | 1,100 |
| **Total Revenues** | **$472,300** | **$499,400** |
| **Expenses:** | | |
| Interest expenses | $1,420,500 | $1,268,700 |
| Tandem plan expenses | 807,100 | 735,100 |
| Fees for servicing mortgages | 2,500 | 2,800 |
| Mortgage-Backed Securities Program expenses (Note 7) | 5,100 | 3,200 |
| Administrative and other expenses | 10,600 | 11,200 |
| **Total Expenses** | **$2,245,800** | **$2,021,000** |
| Loss from operations | ($1,773,500) | ($1,521,600) |
| *Other financing source:* | | |
| Appropriations for participation certificate insufficiencies | | |
| Net loss | ($1,773,500) | (1,521,600) |
| Retained earnings (Deficit) at beginning of year | (7,470,700) | (5,949,100) |
| Prior period adjustment | | |
| Retained earnings (Deficit) at end of year | ($9,244,200) | ($7,470,700) |

The accompanying notes on pages 15 to 18 are an integral part of these financial statements.

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## Government National Mortgage Association

**Statement of Changes in Financial Position**
For the Years Ended September 30, 1984 and 1983 (Note 1)

| | 1984 (unaudited) | 1983 |
|---|---|---|
| | (in thousands) | |
| **Resources Provided by:** | | |
| Revenues | $472,300 | $499,400 |
| Mortgages liquidated | 2,354,400 | 2,704,400 |
| Borrowings from the U.S. Treasury | 3,349,300 | 2,320,300 |
| Appropriations for participation certificate insufficiencies | - | - |
| **Total resources provided:** | **$6,176,000** | **$5,524,100** |
| **Resources Applied to:** | | |
| Expenses | $2,245,800 | $2,021,000 |
| Mortgages purchased | 1,268,700 | 2,069,600 |
| Repayment of borrowings from U.S. Treasury | 2,146,600 | 1,268,500 |
| New purchases of U.S. Government securities | 251,600 | 139,000 |
| Amortization of purchase discounts | 1,000 | 6,200 |
| Increase in accrued interest and other receivables | 2,900 | 8,400 |
| Increase in deposits held for interest payments on participation certificates | 10,900 | 17,800 |
| Increase in assets acquired through liquidations and claims | (4,000) | 1,400 |
| Decrease in accounts payable and accrued liabilities | (34,800) | 3,600 |
| Decrease in trust and deposit liabilities | 17,500 | 11,300 |
| Principal transferred to trust | 81,000 | 25,700 |
| **Total resources applied** | **$5,987,200** | **$5,572,500** |
| **Change in cash** | **$188,800** | **($48,400)** |

The accompanying notes on pages 15 to 18 are an integral part of these financial statements.

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## Government National Mortgage Association
### Notes to the Financial Statements

**1. Summary of Significant Accounting Policies**

The Government National Mortgage Association (GNMA) is a Government corporation within the Department of Housing and Urban Development (HUD) which operates in the mortgage financing market. Its general policies are determined by the Secretary of HUD. Its mortgage activities are handled primarily through servicing agreements with the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). Designated FNMA and FHLMC employees function as GNMA's agents to buy, service and sell mortgages on GNMA's behalf.

**Basis of presentation** – The financial statements are presented on the accrual basis of accounting. They represent the combination of all funds associated with GNMA's four major activities less significant interfund transactions among the Mortgage-Backed Securities Program, the Special Assistance Functions, the Management and Liquidation Function, and the Emergency Home Purchase Assistance Function.

**U.S. Government securities** – U.S. Government securities are recorded at cost, net of unamortized discount or premiums. Discounts and premiums are amortized over the life of the security. Federal Housing Administration (FHA) debentures are recorded at cost and are either held until maturity or used to pay FHA insurance premiums.

**Net investment in mortgages** – Mortgages are recorded at the unpaid principal balance. Starting in 1981, under the tandem plan programs, discounts are recognized as income immediately, while discounts prior to 1981 are amortized.

**Revenues and expenses** – Income is recognized on an accrual basis, and interest income is generally recognized monthly. GNMA reimburses HUD for facilities and equipment which are provided for GNMA's use. Losses on mortgages, receivables, assets acquired, and claims against HUD/FHA and Veterans Administration (VA) are recognized when they occur. Most GNMA assets are covered by insurance or guarantees.

**Fiduciary responsibility** – GNMA acts as trustee for two Government obligation trusts which are not included in GNMA's financial statements. Trustor agencies, including GNMA, provide the funds necessary to pay trust debts and expenses. The total Government obligation of the trusts, as of September 30, 1984, were $2,165 million of which GNMA's portion was $429 million.

**Related parties** – In addition to the controls established by basic Government corporation control laws (31 U.S.C. 9101 through 9109), GNMA is subject to management controls by the Secretary of HUD and the Director of the Office of Management and Budget. Such controls could affect GNMA's financial position or operating results in a manner that differs from those that might have been obtained if GNMA were autonomous.

**2. Accrued Interest and Other Receivables**

Accrued interest and other receivables as of September 30, 1984 and 1983 are as follows:

| | 1984 | 1983 |
|---|---|---|
| | (unaudited) | |
| | (in thousands) | |
| Accrued interest | $40,100 | $33,400 |
| Advances | 3,800 | 3,300 |
| Other receivables | 13,800 | 18,200 |
| | $57,700 | $54,900 |

GNMA makes payments to investors and establishes a receivable in the form of an advance when a mortgage-backed securities issuer fails to make timely principal and interest payments. The collectability of these advances is uncertain. GNMA seeks clarification from its general counsel on the write-off of these advances on a case-by-case basis. Depending on the counsel's opinion, all or part of the $3,800,000 and $3,300,000 advances as of September 30, 1984 and 1983, respectively, may not be collected.

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**3. U.S. Government securities**

The U.S. Government Securities as of September 30, 1984 and 1983 are as follows:

| | 1984 (unaudited) | 1983 |
|---|---|---|
| | (in thousands) | |
| U.S. Treasury | $792,100 | $529,300 |
| FHA Debentures | 89,200 | 100,400 |
| | **$881,300** | **$629,700** |

U.S. Treasury securities are net of unamortized discounts/premiums and FHA debentures are at cost.

**4. Net Investment in Mortgages**

Net investment in mortgages is the unpaid principal balance less the unamortized purchase discounts, participation equities, deferred tandem plan discounts, and loans subject to participation sales trusts. The remaining lives of the mortgages range from one to 30 years on single-family dwellings and one to 40 years on multifamily dwellings. The average holding period for the entire portfolio is 12 years. GNMA periodically sells its mortgages, thereby affecting the average holding period.

The following is a summary of GNMA's net investment in mortgages as of September 30, 1984 (unaudited):

| Type | Range of Interest Rates | Weighted Average Interest Rate | Investment (in thousands) |
|---|---|---|---|
| Single family: | | | |
| FHA/VA | 1.00-13.00 | 6.69 | 566,800 |
| Conventional | 7.50-13.00 | 8.22 | 27,900 |
| Multifamily: | | | |
| FHA | 3.00-11.50 | 5.84 | 1,800,400 |
| Total Investment | | | 2,395,100 |
| Less unamortized discounts, participation equities, and other adjustments | | | 111,800 |
| Net Investment in Mortgages | | | **2,283,300** |

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The following is a summary of GNMA's net investment in mortgages as of September 30, 1983 (unaudited):

| Type | Range of Interest Rates | Weighted Average Interest Rate | Investment (in thousands) |
|---|---|---|---|
| Single family: | | | |
| FHA/VA | 1.00-13.00 | 6.71 | $ 609,900 |
| Conventional | 7.50-13.00 | 8.23 | 29,900 |
| Multifamily: | | | |
| FHA | 3.00-11.50 | 5.85 | 2,827,400 |
| Total Investment | | | $3,467,200 |
| Less unamortized discounts, participation equities, and other adjustments | | | 180,200 |
| Net Investment in Mortgages | | | **$3,287,000** |

**5. Notes Payable to U.S. Treasury**

GNMA borrows from the U.S. Treasury, as necessary, to finance its operations instead of receiving appropriated funds. Interest rates on these borrowings are determined by the Secretary of the Treasury. Interest expense on these borrowings represent $1,394 million and $1,243 million for 1984 and 1983, respectively. The following is a summary of GNMA's notes payable:

**September 30, 1984 (unaudited)**

| Years of Maturity | Range of Interest Rates | Weighted Average Interest Rate | Outstanding (in thousands) |
|---|---|---|---|
| 1985 | 9.38-14.63 | 10.89 | $2,829,300 |
| 1986 | 3.88-14.00 | 14.08 | 2,734,800 |
| 1987 | 9.88-14.50 | 12.03 | 2,341,900 |
| 1988 | 10.50-12.78 | 11.17 | 2,261,600 |
| 1989 | 12.75-13.38 | 13.33 | 3,426,200 |
| **Total** | | | **$13,593,800** |

**September 30, 1983 (unaudited)**

| Years of Maturity | Range of Interest Rates | Weighted Average Interest Rate | Outstanding (in thousands) |
|---|---|---|---|
| 1984 | 8.88-13.50 | 10.56 | $1,955,500 |
| 1985 | 9.38-14.63 | 10.69 | 3,020,400 |
| 1986 | 3.13-16.00 | 14.08 | 2,734,800 |
| 1987 | 9.88-14.50 | 12.03 | 2,341,900 |
| 1988 | 9.50-11.63 | 10.64 | 1,029,100 |
| **Total** | | | **$11,081,700** |

The outstanding authority to borrow from the U.S. Treasury is $1.5 billion. The amount due each June 30 is refinanced by the U.S. Treasury and becomes due 5 years later.

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**6. Contingencies and Commitments**

GNMA was contingently liable as of September 30, 1984 and 1983 for about $175.5 billion and $152.5 billion, respectively, under its guaranty of timely principal and interest payments to mortgage-backed securities (MBS) holders. These securities are backed by pools of FHA-insured, Farmers Home Administration-insured, and VA-guaranteed mortgage loans. Under its MBS guarantee, GNMA paid out $98,532 and $70,353 in 1984 and 1983, respectively. The amounts represent less than .001 percent of mortgage-backed securities outstanding at fiscal year end.

Prior to incurring a contingent liability as guarantor of mortgage-backed securities, GNMA accepts commitment applications from securities issuers. The commitment ends when the mortgage-backed securities are issued or when the commitment period expires. Outstanding unused commitments as of September 30, 1984 and 1983 were $12.2 billion and $27.9 billion, respectively.

GNMA had outstanding commitments to purchase mortgages of $1.4 billion and $2.7 billion as of September 30, 1984 and 1983, respectively. Delivery of mortgages under these commitments is optional at the discretion of the sellers.

**7. Mortgage-Backed Securities Program**

GNMA this year is presenting separate financial statements on the Mortgage-Backed Securities Program. As indicated, reserves backing GNMA's guarantees totaled $816.4 million at the end of the fiscal year. Furthermore, all securities guaranteed by GNMA are backed by the "Full Faith and Credit of the United States of America." (See page of this report, Mortgage-Backed Securities Program.)

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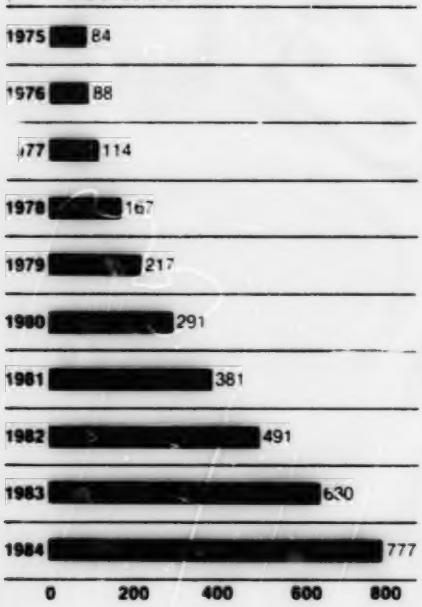
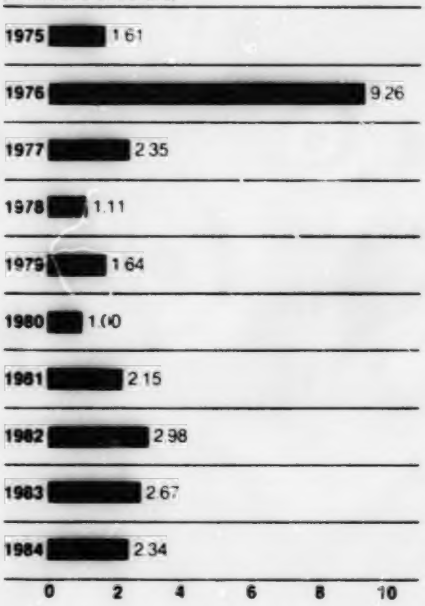
**Investments Held in Portfolio**

(In millions of dollars)



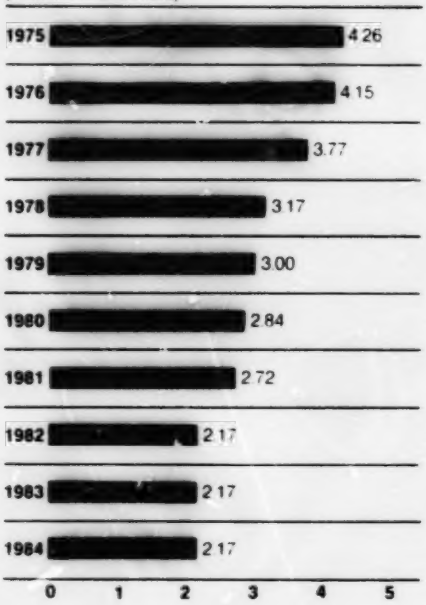

**Mortgage Sales and Repayments**
**Special Assistance Functions and Emergency Mortgage Purchase Assistance**

(In millions of dollars)




**Participation Sale Certificates Outstanding**

(In millions of dollars)




## Ten-Year Summary of Financial Statistics

(dollars in millions)

| | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976[1] | 1975[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| *Mortgage Portfolio at end of year:* | | | | | | | | | | |
| Special Assistance Functions and Emergency Mortgage Purchase Assistance | 2,304 | 3,375 | 3,978 | 4,228 | 4,215 | 3,181 | 3,326 | 3,322 | 4,746 | 5,227 |
| Management and Liquidation Functions | 80 | 92 | 125 | 145 | 168 | 196 | 228 | 270 | 317 | 382 |
| *Mortgage Sales and Repayments:* | | | | | | | | | | |
| Special Assistance Functions and Emergency Mortgage Purchase Assistance | 2,339 | 2,672 | 2,982 | 2,154 | 962 | 1,640 | 1,114 | 2,350 | 9,255 | 1,609 |
| Participation Sale Certificates | 2,165 | 2,165 | 2,165 | 2,715 | 2,842 | 3,004 | 3,166 | 3,768 | 4,145 | 4,260 |
| *Mortgage-Backed Securities (MBS):* | | | | | | | | | | |
| MBS Guarantees Issued (Pass-through) | 32,090 | 45,624 | 13,515 | 16,853 | 22,996 | 22,020 | 15,194 | 17,019 | 12,891 | 5,905 |
| MBS Outstanding (Pass-through) | 175,770 | 151,597 | 114,776 | 103,750 | 89,452 | 69,358 | 51,740 | 41,663 | 23,958 | 15,696 |
| Total assets | 3,490 | 4,044 | 4,528 | 4,518 | 2,408 | 3,306 | 3,358 | 3,159 | 4,541 | 4,921 |
| Total liabilities | 12,734 | 11,514 | 10,477 | 8,724 | 7,470 | 5,900 | 5,549 | 5,080 | 6,118 | 5,678 |
| Investments Held in Portfolio | 777 | 630 | 491 | 381 | 291 | 217 | 167 | 114 | 88 | 84 |
| *Summary Income Statements:* | | | | | | | | | | |
| Interest income | 337 | 369 | 425 | 407 | 283 | 218 | 214 | 249 | 547 | 280 |
| MBS Program fees | 127 | 107 | 82 | 73 | 63 | 47 | 36 | 28 | 22 | 11 |
| Commitment and other loan fees | 8 | 23 | 63 | 40 | 16 | 17 | 11 | 3 | 23 | 5 |

[1] Includes transition quarter
[2] For year ended June 30

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U.S. Department of Housing
and Urban Development

Samuel R. Pierce, Jr.
Secretary

Government National Mortgage Association

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President

Warren Lasko
Executive Vice President

Robert P. Kalish
Vice President for
Mortgage Finance

Richard W. Dyas
Vice President for
Mortgage-Backed Securities

Albert J. Fulner, Jr.
Controller

Elton Peller
Secretary, Director of Securities
Administration

Victor M. Correa
Treasurer

*Corporate Staff:*

Office of Mortgage-Backed Securities:

Paul A. Yates
Director, Financial Management Division

Patricia A. Gifford
Director, Securities Development Division

Office of Mortgage Finance:

Cheryl D. Patton
Director, Policy and Program Development

Louis C. Gasper
Executive Assistant to the President

George S. Anderson
Director, Corporate Planning

Margaret P. Mercer
Administrative Officer

*Past Presidents:*

Raymond H. Lapin
1968

Woodward Kingman
1969-1974

Daniel P. Kearney
1974-1976

David M. deWilde
1976-1977

John H. Dalton
1977-1979

Ronald P. Laurent
1979-1981

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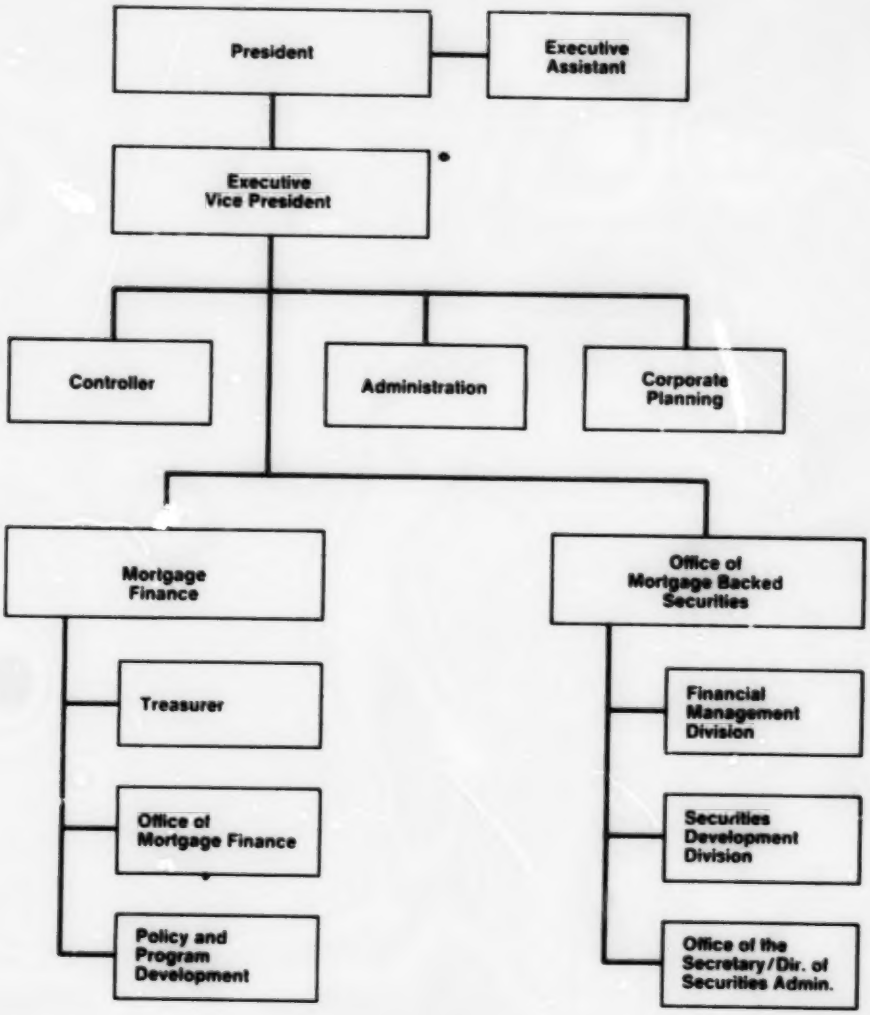
**Government National Mortgage Association**
**Organization Chart**



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